

Message Text

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ACTION XMB-04

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INR-07 NSAE-00 AID-05 /035 W
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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 2265
INFO AMCONSUL HERMOSILLO

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DEPT. PASS EXIM FOR RENGERS

HERMOSILLO PASS SERGIO MIRANDA

EO 11652: N/A
TAGS: EMIN, ENRG, MX
SUBJECT: PROGRESS AT LA CARIDAD COPPER MINE

1. SUMMARY. WORK IS PROGRESSING SATISFACTORILY AT LA CARIDAD AND THE MINE SHOULD BE IN OPERATION IN APRIL, 1978. HOWEVER, THE OPERATION CONTINUES TO BE TROUBLED BY OVERCENTRALIZATION OF DECISION MAKING AND DIFFICULTIES IN OBTAINING IMPORT PERMITS IF QUOTE EQUIVALENT UNQUOTE EQUIPMENT IS MANUFACTURED IN MEXICO. FINANCING FOR THE PROJECT CONTINUES TO BE A PROBLEM AND PAYMENTS TO CREDITORS ARE OFTEN DELAYED.

2. MINOFF MET WITH BEE WAPPLES, PLEASE PROTECT, VICE PRESIDENT OF PARSONS-JUERGENS ENGINEERING, WHO IS IN CHARGE OF OVERSEEING THE CONSTRUCTION OF THE CONCENTRATOR FOR LA CARIDAD. CONCENTRATOR IS 42 PERCENT COMPLETE AND SHOULD BE IN OPERATION IN APRIL, 1978, IF MEXICAN SUBCONTRACTOR CONTINUES TO COMPLETE WORK
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ON SCHEDULE AND IMPORT PERMITS FOR CONTROL SYSTEMS FOR CONVEYOR SYSTEM CAN BE OBTAINED. WHILE SIMILAR CONTROLLERS ARE MANUFACTURED IN MEXICO, THEY ARE NOT CAPABLE OF SYNCHRONOUS OPERATION OF 4 600 HP MOTORS SIMULTANEOUSLY AND THUS WOULD BE UNABLE TO MOVE THE 72,000 MT OF ORE THE SYSTEM IS PLANNED TO HANDLE. SUBCONTRACTOR, INCIDENTALLY, IS WHOLLY-OWNED SUB-

SIDIARY OF MEXICANA DE COBRE, THE COMPANY WHICH OWNS THE MINE.

3. INITIAL MINING OPERATIONS HAVE ENCOUNTERED PREVIOUSLY UNDRILLED SECTIONS OF THE ORE BODY WITH COPPER VALUES OF 1.4 AND 1.7 PERCENT, CONSIDERABLY HIGHER THAN THE 0.78 PERCENT AVERAGE THAT WAS USED TO DETERMINE THE PROFITABILITY OF THE OPERATION PRIOR TO ITS MEXICANIZATION. AS NOTED IN EARLIER REPORTING, THE FACT THAT THE BULK OF THE ORE BODY IS ABOVE GROUND, HAULAGE COSTS ARE CONSIDERABLY LOWER THAN OPEN PIT MINES.

4. MEXICANA DE COBRE STILL PLANS TO BUILD ITS REFINERY AT EMPALME, SONORA, JUST BELOW GUAYMAS. HOWEVER, THESE PLANS MAY HAVE TO BE CHANGED BECAUSE OF A SHORTAGE OF WATER IN THE AREA. GUANOMEX IS ALSO PLANNING A MAJOR FERTILIZER PLANT IN THE AREA WHICH WOULD COMPETE FOR WHAT LITTLE SWEET WATER THAT IS AVAILABLE.

5. MEXICANA DE COBRE PRESIDENT JORGE LARREA UNDERTOOK A WHOLESALE SHAKEUP OF THE COMPANY'S MANAGEMENT IN SEPTEMBER, 1976. VIRTUALLY ALL OF THE SENIOR EXECUTIVES WERE FIRED OR DEMOTED. THE CHANGES HAD A GENERALLY SALUTARY EFFECT ON EFFICIENCY ALTHOUGH SOME CONTINUITY WAS TEMPORARILY LOST.

6. LARREA IS INVOLVED TO AN UNKNOWN DEGREE WITH PERFORACIONES MARINAS DEL GOLFO, S.A. PEMEX DIRECTOR GENERAL JORGE DIAZ SERRANO'S OIL DRILLING SUBCONTRACTOR. ONE OF LARREA'S SONS WORKS FOR PERMARGO.
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7. LARREA IS EXTREMELY UNWILLING TO DELEGATE AUTHORITY. DECISIONS ON EXPENDITURES AS SMALL AS \$10,000 - THIS IS AT LEAST A BILLION DOLLAR PROJECT - REQUIRE HIS APPROVAL. THE RESULTANT BUREAUCRATIC DELAY HINDERS DAY-TO-DAY OPERATIONS. SINCE HE HAS OTHER IMPORTANT MINING AND BUSINESS INTERESTS, HE DOES NOT DEVOTE ALL HIS TIME TO MEXICANA DE COBRE.

8. MEXICANA DE COBRE CONTINUES TO HAVE PROBLEMS WITH ITS FOREIGN BORROWINGS. A MAJOR LOAN - \$100 MILLION? - HAS BEEN HELD UP SINCE AT LEAST SEPTEMBER. THE CONFUSION FOLLOWING DEVALUATION IS PROBABLY PARTIALLY RESPONSIBLE FOR THE DELAY BUT RELUCTANCE OF THE MEXICAN TREASURY TO AUTHORIZE ANY BUT THE MOST NECESSARY FOREIGN LOANS IS ALSO A LIKELY CAUSE FOR THE DELAY. AN EXIM LOAN IS CONTINGENT ON THE COMPANY MAKING THE PRIVATE PLACEMENT.

9. EMBASSY COMMENT. WHILE MEXICANA DE COBRE DOES HAVE

ITS PROBLEMS, IT SEEMS TO BE REASONABLY WELL RUN AND
PROGRESSING ON SCHEDULE. MINOFF PLANS TO VISIT THE
SITE AS WELL AS OTHER COPPER OPERATIONS IN NORTHERN
SONORA IN AUGUST. THOMPSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, MINING, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 20-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Review Withdrawn Fields: n/a
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Subject: PROGRESS AT LA CARIDAD COPPER MINE
TAGS: EMIN, ENRG, MX
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Type: TE
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